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Preparatory process for the Conference

REPORT OF THE SYMPOSIUM ON TRADE, TECHNICAL AND ECONOMIC CO-OPERATION BETWEEN LEAST DEVELOPED COUNTRIES AND THE COUNTRIES OF EASTERN EUROPE

(Moscow, 28 February - 2 March 1990)

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CONTENTS

Chapter			Paragraphs
Introduction			1 - 7
I.	CHAIRMAN'S SUMMARY		8 - 35
	A.	Promoting human resources development	17 - 21
	B.	The modernization and integration of the productive base in the LDCs	22 - 24
	C.	Enhancing LDCs' export earnings and debt-servicing capacity	25 - 27
	D.	Changing mechanisms in external economic relations of the countries of Eastern Europe: implications for the LDCs	28 - 32
	E.	Structural adjustment measures in the LDCs and their impact on relations with the countries of Eastern Europe in the 1990s	33 - 35
II.	ORGANIZATIONAL MATTERS		36 - 38
	A.	Designation of chairmen	36
	B.	Adoption of the agenda	37
	C.	Chairman's summary and closing of the meeting	38

Annexes

I. List of participants

II. Documentation

Introduction

1. The Symposium on Trade, Technical and Economic Co-operation between the Least Developed Countries and the Countries of Eastern Europe was held in Moscow from 28 February to 2 March 1990.

2. The Symposium was convened by the Secretary-General of UNCTAD in his capacity as Secretary-General of the Second United Nations Conference on the Least Developed Countries and organized in close co-operation with the Government of the USSR. The aim of the symposium was to assist in the preparations for the Second United Nations Conference on the Least Developed Countries, to be held in Paris from 3 to 14 September 1990.

3. Participants from 16 least developed countries and from 3 countries of Eastern Europe attended the symposium in their personal capacity. The list of participants is contained in annex I.

4. An opening statement was made by H.E. Mr. V. Bourmistrov, Vice-Minister for Foreign Economic Relations of the USSR. In his statement, Mr. V. Bourmistrov stressed the importance of the forthcoming Second United Nations Conference on the Least Developed Countries, which has as a major task the adoption of a new strategy for the development of these countries in the 1990s. He stated that the USSR would take an active part in the Conference. Referring to the profound economic and social reforms under way in the USSR, he said he expected that these reforms would open up new opportunities for co-operation with the LDCs. His Government would pay the greatest attention to the development of agriculture and food production in the LDCs, as well as to fostering horizontal and vertical diversification in the economies of these countries.

5. Mr. Y. Berthelot, Deputy Secretary-General of UNCTAD, made a statement on behalf of the Secretary-General of UNCTAD in which he stressed the disappointing performance of the LDCs during the 1980s. That performance could be explained largely by the inadequacy of both national policies and external support, as well as by an unfavourable environment. However, the trend could be reversed, given appropriate national and international action. He noted that the countries of Eastern Europe had been providing assistance to the LDCs in spite of their own difficulties, and he expressed the hope that such co-operation would be further strengthened during the 1990s.

6. Ambassador H. Servant, Co-ordinator for the Government of France for the Second United Nations Conference on the Least Developed Countries, outlined the main proposals that his Government would present at the forthcoming session of the Intergovernmental Group on the Least Developed Countries, which would be acting as Preparatory Committee for the Conference. He stated that his country would fulfil its commitments towards developing countries and, in particular towards the least developed countries. Referring to the Conference itself, he expressed the wish that participation should be at the Ministerial level, underlining that appropriate arrangements would naturally be made for Heads of State.

7. Chapter I of the following report presents the summary of the Chairman with regard to items 3, 4 and 5 of the agenda (for the agenda, see para. 37 below).

I. CHAIRMAN'S SUMMARY

8. The Symposium reviewed trade, technical and economic co-operation between the countries of Eastern Europe and LDCs during the 1980s. Specific examples of bilateral co-operation were cited by participants, and the need to further strengthen such co-operation in the 1990s was highlighted.

9. As regards the current developments in the countries of Eastern Europe, participants were concerned that these might adversely affect North-South co-operation in general and East-South co-operation in particular.

10. In considering the priorities for the 1990s, the participants endorsed the idea of a "selective approach" for LDCs' development in the 1990s. This selective approach entails designation of certain sectors critical to the development of LDCs which would be accorded high priority in the allocation of national and international resources. Participants highlighted certain issues to be accorded special attention in co-operation between LDCs and the countries of Eastern Europe.

11. Participants referred to certain difficulties which have limited the full realization of the potential that exists for co-operation between these countries. Proposals were made to overcome these difficulties in order to enhance the process of co-operation in the 1990s.

12. In the area of trade, it was noted that although trade between LDCs and the countries of Eastern Europe is still at a relatively low level in overall terms, for some individual LDCs it accounts for a high percentage of their foreign trade. Participants stressed the need to expand co-operation in this particular field. They also highlighted the need to remove obstacles which hinder the expansion of trade such as lengthy and cumbersome procedures in connection with delivery of goods and realization of joint ventures and lack of trade credit facilities. The need to facilitate and promote enterprise-to-enterprise co-operation was considered to be of vital importance in the 1990s. In this connection, participants emphasized the need for a systematic and free flow of information in order to eliminate communication difficulties and assist in adequately identifying trade and investment opportunities.

13. As regards human resources development, participants underscored the importance of the continuation of the existing educational and training opportunities for LDC nationals in the countries of Eastern Europe in the 1990s. They also referred to the necessity of intensifying the compatibility of such training with development needs of the LDCs. The role of women in the development of LDCs was emphasized, and the need to fully integrate them in the development process was underlined.

14. The symposium also dealt with the co-operation between LDCs and the countries of Eastern Europe in the area of science and technology. The question of the appropriateness of technology to the needs of LDCs was mentioned. Moreover, participants referred to the need to improve the timely delivery of necessary spare parts. In view of the current developments in the countries of Eastern Europe, participants were of the view that the enterprise sector would be expected to play a more active role in this important field of co-operation.

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15. As regards economic co-operation, it was reported that only the USSR and Czechoslovakia have reached the SNPA target of devoting 0.15 per cent of GNP to ODA for the LDCs. The debt overhang of the LDCs was considered to be a serious constraint on their development. The constructive initiative by President Gorbachev to relieve the debt burden of the LDCs was noted by the participants with great satisfaction.

16. While endorsing the selective approach to the development of the LDCs in the 1990s (top priority sectors), participants nevertheless enumerated several areas to be taken into consideration, including: intensive domestic resource mobilization, joint ventures, rural development, small-scale industries, flow of information, more human contact and tourism, the services sector and international trade practices. Participants were also of the view that regional and subregional groupings should be adequately utilized in co-operation between LDCs and the countries of Eastern Europe.

A. Promoting human resources development

17. There was general agreement that the LDCs face many problems in the development of their human resources. These problems include rapid population growth, unemployment, under-employment in the rural sector, lack of trained personnel, health and nutrition deficiencies, housing problems, environmental deterioration, and weak institutional infrastructure.

18. As regards education and training, the Symposium was informed of the main types of assistance provided by the USSR in this field, which include: training provided in connection with long-term agreements regarding large projects; training of specialists in institutions set-up in LDCs; vocational training of LDC nationals in the USSR; training of high-level personnel in the USSR; and co-operation through multilateral agencies (such as UNESCO, UNIDO, UNDP).

19. A number of constraints and problems rendering USSR assistance relatively less attractive were outlined in this regard, including the current economic crisis, the non-convertibility of the rouble, the relatively less advanced technology available, especially in the field of computers, in some cases inadequate housing facilities, difficulties in the relations between trainers and foreign students, problems related to foreign languages, insufficient selection of students, insufficient relations with other foreign universities (hampering the recognition of diplomas), and lack of information and publicity regarding available training facilities.

20. It was noted that a small proportion of students would not return to their countries after training for either personal or political reasons.

21. The view was expressed that while in the past training activities in the countries of Eastern Europe had been centrally planned, the new reforms under way would allow development of training in more diversified fields and at different levels (not only at the government level).

B. The modernization and integration of the production base in the LDCs

22. The Symposium was informed that industrial production in developed countries is steadily switching away from heavily material-intensive products and processes. This has implications for LDCs, including falling demand and prices for primary commodities and the fact that manufactured products of LDCs may become outmoded and uncompetitive. This makes modernization decisions difficult and expensive. While it is difficult to predict the direction of change precisely, steps must be taken to manage global interdependence in a more equitable and sustainable way.

23. It was mentioned that LDCs are capable of rehabilitating, modernizing and expanding their manufacturing and technological base, provided appropriate actions and concerted efforts are made to prepare them for faster and self-sustained development. These actions include giving LDCs unhindered access to markets of developed countries and more access to international capital and capital markets, taking practical measures to deal with external debts so that LDCs can grow out of indebtedness, and providing access to required technologies which are available in the developed countries.

24. Participants noted that in the majority of LDCs infrastructural facilities are inadequate and most of the LDCs face economic deterioration and environmental degradation. They emphasized the role of national initiative in creating a conducive environment for enhancing the modernization of LDCs' productive base. The countries of Eastern Europe would be expected to support such national efforts in the 1990s. In this connection, special reference was made to the agricultural sector as the backbone of the LDCs' economies. Noting that depressed prices and difficulties in marketing their production could adversely affect LDCs' efforts at modernizing their productive base, the view was expressed that these countries should improve co-ordination of their economic policies in order to avoid competing for the same markets.

C. Enhancing LDCs' export earnings and debt-servicing capacity

25. The Symposium noted the various modalities of co-operation arrangements between the countries of Eastern Europe and the LDCs aimed at strengthening LDCs' export earnings capacity and increasing their ability to service external debts. In this connection, various examples of buy-back projects in LDCs were given, including bauxite extraction complexes in Guinea and natural gas fields in Afghanistan. Such projects were based on long-term agreements providing, on the one hand, for the construction, with USSR assistance of plants and training in LDCs and, on the other hand, for the purchase by the USSR of products from LDCs. Several participants referred to problems arising from such arrangements, e.g. slow implementation in project execution and difficulties for LDCs in exporting goods produced under these projects to markets other than the countries of Eastern Europe.

26. The view was expressed by a participant that buy-back projects were yielding relatively lower returns than joint ventures. However, buy-back projects could be more advantageous for the LDCs, because they ensured stable prices and did not involve any capital risk for these countries.

27. The Symposium was informed by a participant from the USSR that current difficulties had up to now prevented the USSR from taking action on debt relief. He added, however, that as soon as such difficulties eased, his Government would be ready to implement its initiative regarding debt service alleviation, including in some cases debt cancellation.

D. Changing mechanisms in external economic relations of the countries of Eastern Europe: Implications for the LDCs

28. The Symposium noted that for a number of LDCs, the countries of Eastern Europe are major trading partners.

29. The view was expressed that the new emerging political climate in East-South relations, and in particular the move towards restructuring the USSR's economic relationships with the rest of the world, would have a positive impact and open up new potentialities for trade with the LDCs. Bilateral relations and the number of trading partners in the USSR could be enlarged.

30. In addition to the USSR's efforts to enlarge its participation in United Nations bodies, the Meeting noted: the reorganization of the foreign economic institutions of the USSR and the process of decentralization of foreign economic activity under way; the decision to open the way for joint ventures and the new regulations established in this connection; the new foreign trade regulations, including the growing role of custom tariffs as an instrument of import regulation, combined with decentralization of the decision-making process in foreign trade and delegation to enterprises of the right to engage in foreign trade activities. It was stated that LDCs' products would, however, be exempted from tariffs in accordance with the decisions taken at the first United Nations Conference on the LDCs.

31. It was suggested that UNCTAD should disseminate information on the new trade regulations in the USSR. The importance of symposiums, such as the present one, as an instrument for disseminating information was stressed.

32. The importance of establishing, in addition to regulations, a communications and banking network between the countries of Eastern Europe and the LDCs was also stressed.

E. Structural adjustment measures in the LDCs and their impact on relations with the countries of Eastern Europe in the 1990s

33. The symposium discussed the root causes of the difficulties of LDCs within the international economy, with special emphasis on the burden of structural adjustment programmes. The impact of the economic crisis in industrialized countries on LDCs' economies (through foreign trade, direct investment and transfer of technology) was noted. The Symposium recognized that structural adjustment has become inevitable in the LDCs.

34. In this connection, two major interlinked problems of a global character were discussed by the Symposium, the first one relating to the energy crisis and the second concerning ecology. Such problems call for new approaches to co-operation between the countries of Eastern Europe and the LDCs. The

particular relevance of co-operation in building small-scale hydraulic power stations and developing alternative sources of energy (e.g. solar energy) in LDCs was stressed.

35. The debt problems of both the countries of Eastern Europe and the LDCs were also raised. A suggestion was made that some LDCs' debts to the countries of Eastern Europe could be converted into local investments in LDCs (through joint ventures).

II. ORGANIZATIONAL MATTERS

A. Designation of chairmen

36. Mr. A. Shagourin, Deputy-Director of the All-Union Market Research Institute, Ministry of External Economic Relations of the USSR, and Mr. A.A. Gubartalla, Deputy Chief of the Permanent Mission of Sudan in Geneva, acted as Co-chairmen of the Symposium. The Symposium held five working sessions.

B. Adoption of the agenda

37. The agenda was adopted at the opening meeting of the Symposium, as follows:

1. Opening of the meeting

2. Adoption of the agenda and organization of work

3. Review and assessment of trade, technical and economic co-operation between the least developed countries and the countries of Eastern Europe during the 1980s

4. Priority areas for action and international support measures in favour of the least developed countries in the 1990s:

   (a) Macro-economic policy reforms and long-term development and growth

   (b) Strengthening human capacities in the LDCs

   (c) Modernization and integration of the productive base in the LDCs

   (d) Strengthening export earnings capacity

   (e) International support measures

   - Resource flows
   - Debt relief
   - Access to markets

5. Options and possibilities for trade and technical and economic co-operation between the LDCs and the countries of Eastern Europe:

   (a) The influence of the structural adjustment measures in the LDCs on their relations with the countries of Eastern Europe in the 1990s

   (b) Co-operation between the countries of Eastern Europe and the LDCs in the development of human capacities in LDCs

   (c) Modernization and integration of the productive base in the LDCs

   (d) Assistance by the countries of Eastern Europe for the development of export earnings capacity and the improved ability to service external debts

(e) Recent changes in the external economic relations of the countries of Eastern Europe and their implications for co-operation with the LDCs

6. Chairman's summary and closing of the meeting

C. Chairman's summary and closing of the meeting (item 6)

38. At its closing meeting, on 2 March 1990, the Chairman of the Symposium made his suming up of the deliberations (see chapter I).

Annex I

LIST OF PARTICIPANTS

1. Mr. Nicolas ADAGBE, Directeur-Général, Société Nouvelle d'Automobile, d'Equipement et de Commerce, Cotonou, Benin

2. Mr. J.P. AGARWAL, Secretary-General, Federation of Nepalese Chambers of Commerce and Industry, Kathmandu, Nepal

3. Mr. S. ASHINIANTS, Head of Department of the All-Union Market Research Institute, Ministry of External Economic Relations, Moscow, USSR

4. Mr. Hasib AZIZ, Second Secretary, Embassy of Bangladesh, Moscow, USSR

5. Ms. E. BODIO, Deputy Commercial Representative of Poland, Moscow, USSR

6. Mr. V. BOURMISTROV, Deputy Minister for External Economic Relations, Moscow, USSR

7. Mr. Neves Manuel CORREIA, National Institute for the Development of Local Industry, Maputo, Mozambique

8. Mr. Sune DETVONGSA, Director, Department for External Economic Relations, Ministry of Economy, Planning and Finance, Vientiane, Lao People's Democratic Republic

9. Mr. I. DIOUMOULEN, Professor, All-Union Academy for Foreign Trade, USSR

10. Mr. A. GROMOV, Research Fellow, All-Union Market Research Institute, Ministry of External Economic Relations, Moscow, USSR

11. Mr. Ahmed Abdelwahad GUBARTALLA, Deputy Chief of Mission, Permanent Mission of Sudan, Geneva, Switzerland

12. Mrs. R. GUDAT, Research Fellow, Market Research Institute, Ministry of External Economic Relations, Berlin, German Democratic Republic

13. Mr. M. HAKIM, General President of Afghan Chambers of Commerce and Industry, Kabul, Afghanistan

14. Mr. Israel KAYONDE, Deputy Minister, Ministry of Commerce, Kampala, Uganda

15. Mr. Habibullah KHAN, Chairman and Managing Director, Ganges Motors Ltd., and former President of Metropolitan Chamber of Commerce, Dhaka, Bangladesh

16. Mr. V. KOLESSOV, Dean of the Faculty of Economics of Moscow State University, Moscow, USSR

17. Mr. Yves Laurent KOUSOUS-SINGA, Secretary-General of the Chamber of Commerce, Industry and Crafts, Bangui, Central African Republic

18. Mr. E. KOWALCZYK, Deputy Commercial Representative of Poland, Moscow

19. Mrs. Sheila LETSHWITI, General Manager, Botswana Craft Marketing Co., Gaborone, Botswana

20. Mr. Kamal Abdel Rahim MOHAMED, Assistant Deputy Minister, Ministry of Planning, Aden, Democratic Yemen

21. Mr. Najib Abdulkarim MOHAMED, Head of Department, Ministry for Foreign Affairs, Mogadiscio, Somalia

22. Mr. M. MWANDORO, Director General, Board of External Trade, Dar-es-Salaam, United Republic of Tanzania

23. Mr. A. PETROSIAN, Scientific Secretary of the All-Union Market Research Institute, Ministry of External Economic Relations, Moscow, USSR

24. Mr. A. PROKORENKO, Assistant Director of the All-Union Market Research Institute, Ministry of External Economic Relations, Moscow, USSR

25. Mr. I. ROUNOV, Head of Division, Directorate-General for External Economic Policy, Ministry of External Economic Relations, Moscow, USSR

26. Mr. O. RYBAKOV, Deputy Head, Department of External Economic Relations with Africa, Ministry of External Economic Relations, Moscow, USSR

27. Mr. Abdoul Karim SAKO, Chief, External Trade Department, National Office of Economic Affairs, Ministry of Finance and Trade, Bamako, Mali

28. Mr. Y. SAVINOV, Deputy Director of the All-Union Market Research Institute, Ministry for Foreign Economic Relations, Moscow, USSR

29. Mr. A. SHAGOURIN, Deputy Director of the All-Union Market Research Institute, Ministry of External Economic Relations, Moscow, USSR

30. Mr. T. TEODOROVICH, Head, Directorate-General of External Economic Policy, Ministry of External Economic Relations, Moscow, USSR

31. Mr. F. TRINICH, Head of Department of the All-Union Market Research Institute, Ministry of External Economic Relations, Moscow, USSR

32. Mr. Mohamed Hussein Ali ZAWIA, General Manager, Alrowaishan Est., Sana'a, Yemen

33. Mr. Richard ZONGO, Ministry of Planning and Co-operation, Ouagadougou, Burkina Faso

Special Invitees

H.E. Mr. H. Servant	Ambassador, Co-ordinator from the Government of France for the Second United Nations Conference on the Least Developed Countries, Ministry for Foreign Affairs, Paris, France
Ms. C. Vasak	United Nation Department, Ministry for Foreign Affairs, Paris, France

UNCTAD secretariat

Mr. Y. Berthelot	Deputy Secretary-General
Mr. P.N. Pant	Executive Secretary of the Second United Nations Conference on the Least Developed Countries
Mrs. G. Wegener	Deputy Executive Secretary of the Second United Nations Conference on the Least Developed Countries
Mr. L. Komlev	Senior Adviser, Special Programme for Least Developed, Land-locked and Island Developing Countries
Mr. A. Abbas	Special Assistant to the Executive Secretary of the Second United Nations Conference on the Least Developed Countries
Mr. A. Sarkissov	Economic Affairs Officer, International Trade Programmes
Mrs. K. Narasimhan	Administrative Assistant, Special Programme for Least Developed, Land-locked and Island Developing Countries

Annex II

DOCUMENTATION

The Symposim had before it the following documents submitted by the UNCTAD secretariat:

1. "Discussion paper on trade, technical and economic co-operation between the least developed countries and the countries of Eastern Europe: Review of the 1980s and new options and possibilities for the 1990s" (UNCLDC II/TR.2)

2. "Elements for a programme of action for the 1990s for the least developed countries" (A/CONF.147/PC/5 - TD/B/AC.17/33)

3. "Trade and Development Report, 1989, Part Two. The Least Developed Countries" (UNCTAD/TDR/9/offprint)

4. The Least Developed Countries, 1988 Report (TD/B/1202)

The following presentations were also submitted to the Meeting:

5. "Priorities of the Least Developed Countries in the 1990s", prepared by Mr. A.A. Gubartalla.

6. "La coopération de L'URSS avec les pays en développement dans le domaine du développement des ressources humaines: aspect éducatif", by Professor V. Kolessov.

7. "L'expérience de l'Union Soviétique dans le domaine de l'octroi d'assistance aux pays les moins avancés pour l'extension de leurs capacités d'exportation et l'amélioration de leur solvabilité par rapport à la dette extérieure", by Dr. T. Teodorovich.

8. "The changing mechanisms of the external economic relations of the countries of Eastern Europe: some implications for their co-operation with the least developed countries", by Professor I.I. Dioumoulen.

9. "The Modernization and Integration of the Production Base in the Least Developed Countries", by Mr. M.K. Mwandoro.

10. "The structural adjustment measures in the least developed countries and their impact on the relations with the countries of Eastern Europe in the 1990s", by Professor Y. Savinov.